FILE COPY

Office Supreme Court, U.S.
FILED
JAN 5

Supreme Court of the United States

No. 604

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

TABLE OF CONTENTS.

	PAGE
CONFLICT WITH THIS COURT'S 1950 DECISION	2
THE PRESENT DECISION VIOLATES RULE 52(a)	3
"FRAUD ON THE COURTS"	5
1. No charge of fraud in Courts below	5
2. Public documents readily available	6
3. Claim of newly discovered evidence	7
4. No material bearing on issue of infringement	8
THE REASONABLE ROYALTY RATE	11
CONCLUSION	14

TABLE OF AUTHORITIES.

CASES.

Edgerton v. *Fitzmaurice*, 29 Ch. D. 459 (1885)	4
Toledo Co. v. *Computing Co.*, 261 U. S. 399 (1923)	7

RULES.

Rule 52(a), Federal Rules of Civil Procedure	3; 4
Rule 16, Rules of Practice in the United States Patent Office, 37 C. F. R. §1.16 (1939) (superseded March 1, 1949, 13 Fed. Reg. 9575 [1948]; now Rule 11, Rules of Practice in Patent Cases)	6

IN THE

Supreme Court of the United States

OCTOBER TERM, 1960.

No. 604.

GRAVER TANK & MFG. CO., INC. and THE LINCOLN ELECTRIC COMPANY,

Petitioners,

v.

UNION CARBIDE CORPORATION,

Respondent.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

The petition in Docket No. 604, although not so entitled, is a cross-petition to *Union Carbide Corporation, Petitioner* v. *Graver Tank & Mfg. Co., Inc. and the Lincoln Electric Company, Respondents*, Docket No. 576. Graver and Lincoln have also served an opposing brief in Docket No. 576 and the opposing brief and cross-petition both feature a charge of "fraud". This charge is used in the cross-petition to support an argument that this Court should review this case, and also used in the opposing brief for the contrary argument that this Court should not review this case.

The logic of this is hard to grasp. Graver and Lincoln are practicing the maxim that the best defense is an aggressive offense. Certain it is that the opposing brief attempts no real defense to our petition but remains discreetly silent, very silent, as to the two questions we presented.

Conflict with this Court's 1950 decision.

Here is the first question we presented in Union Carbide's petition in No. 576:

> "Is one who derives a product from the teachings of the patent and not as a result of independent research or experimentation any the less a 'conscious and wilful' infringer because he makes an effort to avoid literal infringement?"

This Court in its 1950 decision squarely decided that question against Lincoln.* This Court said:

> "One who seeks to pirate an invention, like one who seeks to pirate a copyrighted book or play, may be expected to introduce minor variations to conceal and shelter the piracy. Outright and forthright duplication is a dull and very rare type of infringement. To prohibit no other would place the inventor at the mercy of verbalism and would be subordinating substance to form. . . .
>
> "The doctrine of equivalents evolved in response to this experience. The essence of the doctrine is that one may not practice a fraud on a patent" (339 U. S. at 607-8).

The Court of Appeals has now squarely decided that question in favor of Lincoln, saying:

> "It strikes us as an anomaly to find that Lincoln copied from the patent but that infringement was

* Lincoln is the principal defendant and has conducted the defense of this action.

found only by application of the doctrine of equivalents" (A-64).*

The question whether infringement is "conscious and wilful" is often a factor of key importance in patent cases. This is a landmark case and the decisions this Court rendered in 1949 and 1950 have been cited many times. The decision of the Court of Appeals will undo the work this Court did and leave the law in a state of confusion, as we show at pages 16-19 of our petition in No. 576. Lincoln's opposing brief does not attempt any argument to the contrary.

The present decision violates Rule 52(a).

Here is the second question we presented in Union Carbide's petition in No. 576:

> "Has the Court of Appeals violated Rule 52(a) by its determination that respondent Lincoln was not a 'conscious and wilful' infringer?"

The proceedings and hearings before the Master in this accounting proceeding extended over a period of three and a half years. The trial before the Master occupied a full month of daily sessions, and 20 witnesses were examined

---

* The following abbreviations are used in the record references in this brief:

"A ....." refers to the appendix annexed to the petition in No. 576, *Union Carbide Corporation, Petitioner,* v. *Graver Tank & Mfg. Co., Inc. and The Lincoln Electric Company, Respondents.*

"I App.", "II App.", "III App." and "IV App." refer to the four numbered volumes and "Ex. App." refers to the "Exhibit Volume" of the Joint Appendix in the court below. These were filed with the petition in No. 576.

"I R." and "II R." refer to the two volumes of the printed record herein in 1949 and 1950.

and cross-examined. There were 712 documentary exhibits, motion pictures, welding demonstrations and other forms of evidence.

Yet the Court of Appeals was misled into the belief that "The evidentiary facts in this case are undisputed" (A-62). The Court of Appeals treats the handiwork of the Master and the District Judge as merely a conclusion arrived at by a "process of reasoning" (A-64).

Motive, good faith and the like are questions of fact, not law, and come within the scope of Rule 52(a). We cited a few of the many authorities on the point at pages 20-23 of Union Carbide's petition in No. 576.

> "The state of a man's mind is as much a fact as the state of his digestion." Bowen, L. J. in *Edgerton* v. *Fitzmaurice*, 29 Ch. D. 459, 483 (1885).

Rule 52(a) is a matter of continuing and vital importance in the proper administration of the federal courts.

Here again Lincoln's opposing brief in No. 576 adopts the same ostrich-like technique and remains discreetly silent. The entire discussion as to Rule 52(a) consists of a single sentence on page 18: "Nothing in Rule 52(a) requires a reviewing court to abdicate the reviewing function." That can hardly be regarded as an adequate answer to the second point presented in our petition.

Judge Swygert, on the basis of his study of the Master's findings as contained in his Report and the evidentiary record and his first-hand knowledge of the 1947 trial and other proceedings, found that Lincoln was a conscious and wilful infringer. If that is not the right result to reach on the facts in the present case, it is most difficult to know what it would take to make Lincoln a conscious and wilful infringer.

Yet the Court of Appeals, in reaching the opposite result, arrogated to itself the power to disregard the evidentiary record and the Master's findings without declaring any of them to be "clearly erroneous."

"Fraud on the Courts."

Now we turn to Lincoln's aggressive offense, the charge of "fraud on the Courts" which is the feature of Lincoln's cross-petition in No. 604 and also its opposing brief in No. 576. Lincoln bottoms this charge on statements made in connection with two patent applications filed after the issue of the Jones *et al.* patent in suit on June 9, 1936. One application became Clapp patent No. 2,200,737 issued May 14, 1940, and the other became Miller patent No. 2,308,194 issued January 12, 1943.

Several things can be said about this charge of "fraud".

1. No charge of fraud in Courts below.

Lincoln put the Clapp and Miller file wrappers in evidence before Judge Swygert in 1958 in this accounting proceeding and Lincoln used these as the basis of argument on the issue of "copying" in the District Court and again in the Court of Appeals. But there was not a word said about "fraud" in either court. The argument was merely as to the interpretation of the language of the Jones *et al.* patent.

Judge Swygert rejected the argument with the observation that it was simply an "attempt to obtain a redetermination of the issues of infringement" (III App. 1317).

The Court of Appeals, however, opined:

> "True, that issue [infringement] is no longer open but, even so, it is an interesting, though futile, matter for speculation as to what the courts would have decided on the issue of infringement if they had been

favored with the appraisement which Clapp and Miller later placed upon the teachings of the Jones patent" (A-71).

It was this which has apparently emboldened petitioner Lincoln to advance its belated charge of fraud. The Court of Appeals did, indeed, go to some lengths in expressly rejecting other charges of bad faith leveled by petitioner Lincoln (A-102-A-103).

2. Public documents readily available.

In making this charge of "fraud" Lincoln's petition makes repeated assertions that Union Carbide had been "hiding" these records (p. 8).

That is nonsense. The records of prosecution of the Clapp and Miller patents were public documents open to all from the day the respective patents issued in 1940 and 1943. Anyone could inspect and copy them. They were thus readily available for a period of four years or more prior to the 1947 trial. (Rule 16 of the Rules of Practice in the United States Patent Office then in force, 37 C. F. R. §1.16 [1939] [superseded March 1, 1949, 13 Fed. Reg. 9575 (1948); now Rule 11, Rules of Practice in Patent Cases].)

The Clapp patent was well known to Lincoln's patent attorney at least as early as August 30, 1940 when he sent Lincoln a copy (MP 107C, Ex. App. 260, 261), and was the subject of frequent advices thereafter (MP 107I, 107L, 107FF, Ex. App. 271, 284, 340, 341). The Miller patent was sufficiently well known to Lincoln's attorney that he sought to make use of it at the 1947 trial before Judge Swygert (I R. 838, and see also I R. 944).

Furthermore, the record is clear that Lincoln's patent attorney, in preparing to defend the suit for infringement, made a careful investigation and study of respondent Union Carbide's welding patents. See, for example, MP

107C, 107D, 107I, 107L (Ex. App. 260-265; 270-280, 282-284) and MD 176 (Ex. App. 460-474).

3. Claim of newly discovered evidence.

This is really a claim of newly discovered evidence and not fraud. This case has been actively litigated since the complaint was filed on October 1, 1945 and Lincoln's patent attorney investigated Union Carbide's welding patents some years prior to that date. He got copies of the Clapp and Miller patents and it would normally be assumed that he looked at those file wrappers in the Patent Office. Yet Lincoln's attorneys do not give a word of explanation in their cross-petition or opposing brief as to how it was he failed to look at the Patent Office records or how they just happened to stumble over these file wrappers as late as 1958.

A somewhat similar situation was involved in *Toledo Co.* v. *Computing Co.*, 261 U. S. 399 (1923), where an adjudged infringer made applications to enjoin enforcement of the earlier judgment on the ground of fraud and this Court said with reference to his applications:

> "... based as they were upon the ground of newly discovered evidence, the indispensable condition of their being granted was that the failure to discover the evidence in time for the trial was not due to a lack of diligence on the part of the applicant. That condition precedent was not fulfilled" (261 U. S. at 421).

In that case this Court placed its decision upon

> "... a most salutary rule of law which after parties have had a full and fair opportunity to prepare their case, refuses to permit them to drag out litigation by bringing in new evidence which with due diligence they ought to have discovered before the hearing.

> The apparent hardship of particular cases should not and can not weigh against the application of this sound principle. As Mr. Justice Story remarked in *Ocean Insurance Co.* v. *Fields*, 2 Story, 59; 18 Fed. Cas. 532, 'It is for the public interest and policy to make an end to litigation, or, as was pointedly said by a great jurist, that suits may not be immortal, while men are mortal.' " (*id.* at 425.)

That decision is most appropriately applicable to the present case where the Patent Office files were easily available to Lincoln's attorneys four years or more prior to the 1947 trial and where this litigation has already been prolonged for 14 years since the interlocutory decree of validity and infringement was entered in 1947.

4. No material bearing on issue of infringement.

The truth of course is that Lincoln's attorneys found the Clapp and Miller patents of no help on the issue of infringement at the 1947 trial. Nor would the statements in the Clapp and Miller file wrappers have had any material bearing on Judge Swygert's findings quoted on page 8 of Lincoln's petition in No. 604.

The Jones *et al.* patent was issued for a pioneer invention of a composition for general use in a new kind of welding, submerged arc welding. The issue of a patent for such an invention does not mean the end of all invention within its area. It often happens that others come along with applications for "improvement" patents to fill specific needs. Alexander Graham Bell in 1876 obtained a basic patent for the telephone and specific improvements were covered by numerous improvement patents subsequently issued to others.

In the present instance a patent was issued May 14, 1940 on Clapp's application and a patent was issued January 12,

1943 on Miller's application. Both of these patents relate to the welding of one particular, stubbornly troublesome material, namely, "sulphur banded steel". As they explain, such "sulphur banding" had caused trouble when effort was made to weld with the flux of the patent in suit.

Clapp represented to the Patent Office that he had succeeded in welding sulphur banded steel when he limited the manganese silicate in his flux to between 4% and 16%.

Specifically, Clapp's attorney said to the Patent Office:

> "U. S. patent No. 2,043,960 to Jones et al. suggests a welding process employing a welding composition comprising an alkaline earth metal silicate and in which 'basic materials other than lime or magnesia, for example oxides of manganese, titanium, or the alkaline metals . . . may be added'. While this reference broadly suggests that manganese oxide may be present, there is clearly no teaching for what purpose or in what amounts it is to be added. Applicant, after a great deal of experimentation, has discovered that if between about 4% to 16% MnO is present in the welding composition, a new and unobvious result can be achieved, i.e., the production of sound welds in relatively high sulfur steel and in steels having sulfur bands.
>
> . . . . . .
>
> "Jones et al. does not disclose applicant's range of manganese nor that any special advantage, such as the production of sound welds in relatively high sulfur steel or steels having sulfur bands would be secured by the incorporation of MnO in the welding material" (Ex. App. 490-91).

But let us see in what distorted form the above passage emerges in Lincoln's petition in No. 604:

> ". . . Union Carbide chose not to reveal to the courts its sworn proof to the Patent Office that Jones did *not* teach the use of manganese, except only as

> an additive 'in moderate amounts,' meaning less than 4%" (p. 9; emphasis in original).

Again Lincoln argues that

> "Clapp assured the Patent Office that he found out only 'after a great deal of experimentation' that it would be possible to use *as much as 4% to 16%* ..." (p. 10; emphasis in original).

Those characterizations of the record are simply untrue. Clapp never represented that Jones (the patent in suit) taught only the use of less than 4% manganese, or only an amount up to 4%.

The Patent Office in 1939 rejected Clapp's claims precisely because Jones did teach manganese fluxes. Clapp acknowledged that Jones disclosed manganese fluxes broadly but argued that neither the specific proportions (4% to 16%) nor the special utility (for welding sulphur banded steel) were taught. Yet petitioner Lincoln says this constituted "fraud".

The Court of Appeals was misled by Lincoln's argument into saying (A-70-A-71) "Clapp found out only 'after a great deal of experimentation' that it would be possible to use as much as 4% to 16%". The "as much as" language is Lincoln's interjection. It finds no support whatever in the record.

What Lincoln has to say about the prosecution of the Miller patent also falls apart upon inspection. Somewhat after Clapp's work Miller found he could weld "sulphur banded steel" if he used manganese oxide in the range 30 to 65%. Clapp in a supporting affidavit said Miller's results were "surprising" to him since the "manganese content is far higher than he had thought permissible"

(Ex. App. 499). But petitioner Lincoln now distorts this to mean that Jones did not teach the use of as much as 95% manganese silicate (pp. 10-11), a patent which has nothing to do with sulphur banded steel.

The net of it is that Jones taught the use of manganese in a composition for general use in submerged arc welding; but Jones did not try to solve the special problems of Miller and Clapp and did not purport to specify how much manganese should be used in welding "sulphur banded" steel.

Likewise Lincoln was not trying to solve the special problems of Miller and Clapp. Lincoln, in order to maintain leadership in the welding industry, had to have a composition for general use that would successfully compete with the Unionmelt composition taught by the Jones *et al.* patent.

The Reasonable Royalty Rate.

Lincoln's petition in No. 604 seeks to bring in a second matter and this relates to the Master's findings as to the reasonable royalty rate. The Master made a finding that the reasonable royalty rate was 5 cents per pound of rod deposited and, with a ratio of one pound of rod to one and a half pounds of flux, this gave a royalty rate of 3⅓ cents per pound of 660 flux. Here is the finding:

> "Applying the reasonable royalty method of computing damages to the evidence and to the findings of fact herein set forth and with due consideration of the evidence and the findings herein concerning plaintiff's loss of sales of flux and loss of profits on sales of flux and welding equipment and supplies during the infringement period resulting from Lincoln's infringing activities, the minimum

> royalty that the plaintiff should be willing to accept and the defendants should be willing to pay for the right to make, use and sell the patented composition and being a reasonable royalty, was the sum of 5 cents per pound of rod deposited" (Finding No. 72 A-30-A-31).

Having determined the royalty rate per pound of flux, the Master applied the rate to the pounds of infringing flux produced and sold by Lincoln and thus calculated the award of damages. He did not compute any royalty on any sales of non-infringing equipment or material.

Lincoln, in selling the infringing 660 flux, also sold specially designed equipment for use with the flux in submerged arc welding and he also sold other items of welding supplies to the same customers during the same period of time. The Master found that such sales during the period of infringement aggregated more than $108,000,000 and produced more than $16,000,000 net profits (A-22). The Master took these facts into consideration in his finding as to the royalty rate to be applied to the 660 flux, saying:

> "... in the hypothetical negotiation of a reasonable royalty the parties would have taken such facts into consideration ..." (A-37).

Lincoln's petition in No. 604 claims that this was error. Petitioner Lincoln cites two cases involving situations where there was a contract obligation or tie-in between the patented item and non-patented products. But there was nothing of that kind in our present case. In the 1947 decision Judge Swygert cleared Union Carbide of any possible charge of misuse of the patent saying:

> "... it is hard to conceive what more plaintiff could have done to safeguard itself from charges of having unduly broadened its patent monopoly" (86 F. Supp. at p. 200).

What we have in the present case is the determination of the reasonable royalty rate to be calculated on the sales of the infringing flux. There was uncontroverted proof that Lincoln, in order to maintain its leadership, had to have a welding flux competitive with Union Carbide's patented flux, and that having the 660 flux in its line enabled Lincoln to do a large volume of profitable business with the customers who bought the infringing 660 flux. One significant fact was the disproportionate time and effort Lincoln's sales organization devoted to the sales of the 660 flux. The Master found:

> "Although the 660 flux constituted only about 3% of the sales volume of the Lincoln Company, its sales representatives devoted as much as 19% or more of their time in the promotional campaign for the 660 flux" (Finding No. 75 III App. 1180).

Judge Swygert held that the Master did not commit error in taking these facts into consideration. Judge Swygert said on this point "... the development of the infringing flux helped Lincoln maintain its prominence in the welding equipment and supply field" (A-42).

The common sense approach taken by the Master was also specifically approved by the Court of Appeals:

> "It must be kept in mind that the Master calculated no royalty upon the sale by Lincoln of non-infringing material; but that such royalty was confined solely to the sale of the infringing flux. It seems a logical and commonsense view that Lincoln, if it had been negotiating with Union Carbide for a license, would have taken into consideration all advantages which might accrue to it in determining a royalty which it would be willing to pay. A license to sell the patent flux would have enabled Lincoln to expand its business, increase its sales of non-infringing materials

and thereby increase its profits. Absent a license, Lincoln accomplished the same result by the sale of its non-infringing material in connection with the sale of its infringing flux. In another setting, as previously noted, Lincoln argues that the Court failed to apply the willing seller and willing buyer rule, but here, so it seems, it would have the Court ignore that rule" (A-90-A-91).

Conclusion.

Union Carbide's petition for a writ of certiorari in No. 576 involves questions basic to the application of the patent law by the Courts of Appeals. By contrast, Lincoln's petition in No. 604 involves no question of general applicability in other cases.

It is respectfully submitted that Union Carbide's petition in No. 576 should be granted and that Lincoln's petition in No. 604 should be denied.

Respectfully submitted,

JOHN T. CAHILL,
JAMES A. FOWLER, JR.,
80 Pine Street,
New York 5, N. Y.

RICHARD RUSSELL WOLFE,
1 North LaSalle Street,
Chicago 2, Illinois,

Attorneys for Union Carbide Corporation, Respondent.

GEORGE N. BEAMER,
C. FREDERICK LEYDIG, JR.,
WILLIAM A. JANSEN,
Of Counsel.

January 18, 1961.